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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001353

SIPDIS

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SUBJECT: TURKEY: EC ENERGY DELEGATION VISIT YIELDS NO  
PROGRESS

REF: A. ANKARA 1172  
[1](#)B. BRUSSELS 952  
[1](#)C. ANKARA 1286

Classified By: Economic Counselor Dale Eppler for reasons 1.4 (B) and (D)

[1](#)1. (C) Summary. Heinz Hilbrecht, Director for Energy Security at the EC Directorate General for Energy Transportation led a technical-level delegation to Ankara for talks with Turkey's Nabucco Coordinator Osman Goksel on July 17-18. The talks were to prepare the groundwork for the visit of Commissioner Piebalgs at the end of the month by achieving agreement on two key issues: (1) the opening of Turkey's gas transit corridor without conditionals (i.e. without a percentage of gas being diverted to Turkey's domestic market) and (2) adoption of the EU's gas pipeline transmission rules. Ankara-based EU Commission staff described the talks as "disappointing." Agreement was not reached on either issue and the Piebalgs visit has been postponed. End summary.

[1](#)2. (C) Through several negotiating sessions with Turkey Nabucco Coordinator Osman Goksel (ref a and b), the EU thought Turkey was ready to move beyond its original proposal to withhold 15% of gas transiting Turkey. In return, the EU promised to cooperate with Turkey and others to establish a Caspian Development Company (CDC), a consortium of private companies designed to accelerate upstream investment by offering European gas purchase guarantees. According to Ankara EU Commission staffer Burcin Pamuksuz, who attend the delegations' talks, Goksel told Hilbrecht he is very supportive of the CDC concept but it does nothing to address Turkey's short or medium term gas needs. Goksel continued to insist that withholding 15% of transit gas is the best option. On the issue of implementing EU transmission rules, Goksel rejected the proposal on principle. Since Turkey is not in the EU, it is not required to follow EU rules. Goksel pressed Hilbrecht and others to explain why it wouldn't work. Pamuksuz said the talks were "back at square one" and since no progress was made, EU Commission Piebalgs canceled the trip to Ankara that had been scheduled for the end of July.

[1](#)3. (C) In a separate meeting, Goksel told us he is frustrated with the EU. They confirm Turkey's legitimate need for gas but propose a solution that that won't deliver gas until 10-15 years in the future. Since the talks were

launched following the visit of EU Nabucco Coordinator van Aartsen to Ankara on February 14, Turkey has been asking the EU to present an alternative proposal to the 15% reserve formula. None has been forthcoming. According to Goksel, EU Ambassador to Turkey Mark Perini appealed to Goksel to consider the larger strategic vision for the project -- to table the request for 15% of transit gas in lieu of a bilateral agreement with Azerbaijan for domestic gas. Perini cautioned Goksel that Turkey's demand to buy all of Shah Deniz Phase II gas could doom the southern corridor to failure, which is in no one's interest. Goksel said if the choice is between securing Europe's energy supply or Turkey's, he would choose Turkey's.

14. (C) When pressed to describe the objectionable aspects of the EU transmission rules, Goksel could not answer. He simply said Turkey should not be asked to follow the rules of a club to which it is not a member and may not ever be. He speculated that Azerbaijan and Georgia would have similar objections to implementing EU rules.

15. (C) Comment: In ref c, Perini told us the EU and Turkey face similar circumstances: rising demand for gas and a need for diversity. The latest EU-Turkey talks highlight a potential divergence when it comes to timing. With the CDC idea, the EU has put on the table an offer to help Turkey (and Europe) achieve longer term security of supply; however, Turkey has more acute needs with projected shortages in 2012.

Unsatisfied with the EU proposal, Turkey continues to use transit to leverage a deal on gas supply.

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